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FOR DEPUTY SECRETARY ZOELLICK FROM AMBASSADOR RIES
FOR EUR/SE AND EUR/SCE

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TAGS: [CY](#) [GR](#) [PGOV](#) [PREL](#) [TU](#) [ZL](#) [VISIT](#)
SUBJECT: YOUR VISIT TO GREECE

Classified By: Ambassador Charles P. Ries. Reasons 1.4(b/d).

¶11. (C) SUMMARY: I am delighted to welcome you to Greece March 30-31. The Greeks see your trip to Athens, following on the heels of Foreign Minister Molyviatis' March 24 visit to Washington, as more proof of America's reengagement with Europe. Greece will want to characterize your visit -- the first by a senior State Department official since President Bush took office -- as the start of a strategic dialogue with the U.S., and it is in our interest to have them think this way. Greece may be one of the smaller and cash-strapped countries in the EU, but it can be a good partner for the U.S. in the Balkans, in resolving the Cyprus-Turkey-Aegean issues, and in outreach to the Middle East. END SUMMARY.

THE PLACE: ATHENS 2005

¶12. (U) The last three years have been momentous for Greece. In 2002, Greece arrested the ringleaders of the domestic terrorist group "17 November". In 2003, Greece held the EU Presidency, and kept the U.S.-EU relationship intact despite deep splits within Europe on relations with the U.S. In 2004, Greece hosted the Summer Olympics and Turkey's EU membership aspirations were advanced. In 2005, Greece joined the UNSC as a non-permanent member for the first time since **¶11952.**

¶13. (C) Such successes boosted Greece's self-confidence that it can function effectively as a modern nation in Europe. But its future as an outward-looking, non-idiiosyncratic nation is not yet cast in stone. Whenever it can, Greece avoids staking out national positions on major issues by deferring to EU conventional wisdom. And when it has to choose, Greece has tended to stick close to France and Germany. This plays well at home, where Greece's inflammatory media is quick to hurl accusations of weakness whenever it considers the government has given in to "asphyxiating pressure" from the USG. But old habits are beginning to change. Across most of the political spectrum, Greeks now want their government to be seen as an important and valued partner of the United States.

¶14. (C) Part of your message should be that we value Greece's views and need Greece's help on important issues, especially in Greece's backyard. This is particularly true in the Security Council where Greece's value-added is its own perspective on regional interests such as the Balkans and Cyprus. In return for this validation, we can ask them to do more for us.

THE PLAYERS: FM MOLYVIATIS & PM KARAMANLIS

¶15. (C) The 76-year old Petros Molyviatis was a career diplomat from 1956-1974, and has a close relationship with the Karamanlis family, serving Constantinos Karamanlis (the current PM's uncle) while he was PM and President. Molyviatis has coached the inexperienced Karamanlis on foreign policy. He is a serious person, and while he is politically cautious, he is also pragmatic, particularly on Turkey. On the other hand, Molyviatis has shown little creativity on Cyprus, and is inclined to pay more attention to the EU than to NATO.

¶16. (U) Karamanlis was educated in the U.S. and has a low-key and personable style. When elected in March 2004, the Summer Olympics were only five months away and were necessarily his overwhelming priority. As a result, however, his Administration did not really get going until October 2004. Karamanlis has not set out a bold foreign policy course, preferring to grapple with Greece's poor economy. That said, Karamanlis stood firm at the December European Council to support Turkey's EU path. In May, Karamanlis will travel to the U.S. to give the commencement address at the Fletcher School, and has asked for a meeting with the President in Washington. The White House is considering the request.

THE ISSUES: REGIONAL INTERESTS, GLOBAL RESPONSIBILITIES

¶17. (C) Your meeting with Foreign Minister Molyviatis will occur first, and he will want to treat it as preparation for

your follow-on meeting with the Prime Minister by briefly reviewing regional items and the transatlantic agenda. He is certain to seek your views on the Balkans and Cyprus. Karamanlis needs to hear an unambiguous message from you about USG concerns over successor domestic terrorist groups.

THE BALKANS

18. (C) Greece supports the Standards for Kosovo review this summer, but does not want to prejudge the outcome. While Greece does not rule out independence for Kosovo, the Foreign Minister is on record seeking "something less than independence" and the MFA has made a big push to increase the EU's role in post-review Kosovo (despite some pushback from Brussels). Molyviatis has already raised with me the prospects for Greece's inclusion in the Contact Group. I have noted the problems with expansion of the Contact Group, while emphasizing our willingness to keep Greece in the loop. I have urged the Greeks to continue to be more statesmanlike (rather than pro-Serb) on policy and to focus on concrete measures, such as their Balkans Reconstruction Program.

19. (C) Molyviatis will certainly raise the Macedonia name issue and is expected to reiterate that Greece could not accept a two-name solution. He will want your support and advice. We have emphasized to the Greeks that this issue does not preoccupy Washington, and have urged Molyviatis to move Greece beyond semantics to more urgent, shared priorities. His response is that the name issue is important because it risks Macedonia's EU and NATO prospects since Greece's parliament must ratify accession. Further, Molyviatis worries a contentious Macedonia EU accession process might lead to a referendum in Greece, which would be a bad precedent for even more unpopular Turkey later. Molyviatis believes that Macedonia does not understand these very real dangers, and may ask you to help transmit this message to Skopje. In turn, you might suggest the Greeks try to engage their EU partners, who have as much -- or more -- stake in a negotiated outcome as we do.

WATCH OUT FOR: On the Macedonia name issue, both Karamanlis and Molyviatis will want you to support Greece's position in the UN talks. Our standard line is to support the talks, not a particular outcome. The Greeks will also be looking for your affirmation that the U.S. will implement a mutually-agreed solution, something we have said before.

TURKEY AND CYPRUS

10. (C) Molyviatis has an ambitious schedule of high-level meetings with Turkey this spring aimed at putting in place a new package of CBMs, hopefully including the de-arming of Greek and Turkish fighters overflying the Aegean. Both Molyviatis and Karamanlis will complain that although they are committed to rapprochement, they are hampered by frequent Turkish sorties into disputed Aegean airspace and waters. Molyviatis understands Turkey's need to demonstrate that it challenges some of the Greek claims (which we generally don't accept either) but says the scale of show-the-flag exercises is excessive. Exploratory talks between Athens and Ankara have established a good channel of communication, but no convergence of views. Recently, Molyviatis has begun to warn us that the "provocations" by Turkey in the Aegean are undermining Greek support for Turkey's EU path.

11. (C) Meanwhile, Cyprus is at a standstill. Greece gave only tepid support to the Annan Plan in April 2004. It is up to the Parties to resume negotiations, and convince the UN it has a leading role to play. The first stumbling block has been Cypriot President Papadopoulos, unwillingness to answer the SYG's request that he elaborate, in writing, his central objections to the Annan Plan. While Karamanlis has told me he has "zero influence" over Papadopoulos, Molyviatis told me on March 16 that he expected Papadopoulos to send a letter to the UNSYG. In any case, Cyprus is not a serious priority for the GoG. I would recommend you ask Molyviatis to consider ways Greece could show more support for efforts in the EU to ease the economic isolation of the Turkish-Cypriots. Molyviatis will probably ask you if Washington is prepared to put forward new ideas for Cyprus (I have told him that this is mainly the responsibility of the parties).

12. (S) **WATCH OUT FOR:** Last September the Department notified Congress that Greece was in violation of the Arms Export Control Act for the unauthorized retransfer of U.S.-origin equipment (howitzers, helos) by Greece to Cyprus. The Greeks and Greek-Cypriots insist the arms are crucial to the island's security. The Department is reviewing applications for third-party transfers of equipment from Germany to Greece, some of which would backfill the unauthorized U.S. equipment now on Cyprus.

(If raised) The retransfer of U.S. arms to Cyprus is a violation of U.S. law. The arms should be removed. We are reviewing re-transfer requests, but won't backfill what has

been illegally retransferred to Cyprus.

GREEK PARTICIPATION IN IRAQ/AFGHANISTAN

¶13. (C) PM Karamanlis made a campaign promise not to send Greek forces to Iraq. Thus, Greece remains unwilling to lift its NATO caveat on participation of Greek officers in NATO billets in the NATO Training Mission-Iraq. Greece has offered to train Iraqis in third countries, but has done nothing specific aside from a pledge of 300,000 euro for the NATO Training Mission-Iraq trust fund. Molyviatis is willing to consider "filling in the holes" where U.S. and/or coalition forces/trainers need to be backfilled.

¶14. (U) In Afghanistan, Greece contributes about 170 troops to ISAF and offered in February to deploy a Role 2 Med Unit to Kabul this summer (fulfilling a NATO requirement). We understand, however, that the Greek med unit, originally offered in response to a requirement to replace a Spanish unit in May, will not be ready to deploy until the fall and is understrength. This is almost certainly too late to be of value.

BROADER MIDDLE EAST/NORTH AFRICA

¶15. (C) Greece's proximity to the Middle East and its self-proclaimed good relations with the Arab world make it a good venue to bring Middle East partners together. I have discussed options with Molyviatis, and he agreed it made sense for Athens to offer to host a BMENA/Forum for the Future ministerial in Athens.

HOMELAND SECURITY ISSUES

¶16. (C) I urge you to raise with Karamanlis our concerns about the possibility of domestic terrorist successor groups in Greece. In the last year, there have been five serious incidents directed against the Greek police, including the murder of a Greek guard outside the residence of the UK Defense Attaché (a previous UK DATT was murdered by "17 November" in 2000, the last victim of 17N.) No group has claimed responsibility; no one has been arrested. Greece has also released two convicted domestic terrorists on "medical grounds." The message to deliver to Karamanlis is that Greece did an excellent job hosting the Olympics, but there can be no "Closing Ceremony" for the fight against terrorism. The release of two convicted terrorists sends the wrong signal and we are concerned a new chapter in domestic terrorism may be opening in Greece.

WATCH OUT FOR: The Attorney General approved Greece for inclusion in the Visa Waiver Program in May 1999, subject to criteria that Greece did not then, and does not now, meet. Among other requirements, Greece needs to institute a central authority to issue and track biometric passports (it has adopted the requisite legislation and is now in the process of doing so). The Greeks have noticed that the U.S. has given Poland a "road map" for qualification for the VWP, and CA has agreed to work with Washington agencies to develop a similar "road map" for Greece.

STATE OF THE ECONOMY

¶18. (U) Karamanlis will tell likely you that the economy is his highest priority, and there are good reasons for it. Greece continues to battle chronic deficits, declining competitiveness, and poor public sector performance. Structural change is urgent. The government has been attempting to control expenditures through privatizations, but with unemployment nearing 11 percent, these moves provoke public outcry in a country accustomed to lifetime employment and generous pensions. Greece caused an EU sensation when last fall it announced that the previous government had mis-reported expenditures and "discovered" that Greece had exceeded the three percent deficit threshold for eurozone membership. Just last week, Greece closed the books on 2004, with a fiscal deficit of 6.1 percent.

¶19. (U) Foreign investment in Greece has been largely static for the last decade. Notoriously complex regulations hamper business formation and the tax code is opaque. The GoG is moving legislation to increase tax code transparency, cut corporate taxes from 35 percent to 25 percent, and to offer special incentives for investment in high tech and selected industries (e.g. food processing and tourism).

¶20. (U) Although Greece has EU-standard IPR legislation on the books, we are pushing for increased enforcement to help promote investment. Greece does not see itself as a major player in international trade affairs, and rarely takes a position ahead of the EU consensus. This stance can lead it to fail to grasp the potential domestic impact of transatlantic trade disputes. This occurred most recently with the rice dispute, in which Greece initially declined to

take a role. Only after the retaliation list was published, which included several key Greek exports (olives and peaches), did the government instruct its delegation in Brussels to help find a solution. Greece continues to be a vocal opponent of agricultural biotechnology products, and has considered imposing excessive testing regulations that would threaten our exports of corn seeds. Additionally, in 1997, Greece imposed severe SPS restrictions on U.S. wheat exports, citing Karnal bunt (Kb) concerns. Although these restrictions were moderated in 2000, U.S. wheat exports to Greece remain negligible.

PUBLIC DIPLOMACY

121. (U) Burdened by a selective reading of postwar history which holds the U.S. responsible for the Greek junta and the Turkish invasion of Cyprus, Greek public opinion toward U.S. policies is generally the most negative in Europe. A December 2004 poll, taken after the successful cooperation on the Olympics, showed 80 percent of Greeks nevertheless believing the U.S. plays a negative role in the fight against terrorism. Many Greeks who are insecure about their country's place see the bumps and swerves of the relationship as part of an American master plan. At the same time, Greeks make up the largest percentage of foreign students in the U.S., related to population, of any country in the EU. Many Greek elites have a nuanced and balanced view gained from study in the U.S. or from working closely with Americans. The Karamanlis government has been reluctant to publicly criticize the U.S., which has in turn tempered the Greek media's editorial line toward our policies. Your visit will be viewed here with mixed emotions. Some will see your visit as an opportunity for Greece; others will carp that the Secretary hasn't come; and the elites will be relieved that

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she hasn't come, since her visit would launch local protests.
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